POLCHG5

TRANSAMERICA®
LIFE INSURANCE COMPANY

Administrative Office | 4333 Edgewood Road, NE | Cedar Rapids | Iowa 52499

G & M Zacharia Trust
George & Margaret
8751 Terrace Dr
El Cerrito, CA 94530-2724

October 19, 2015

Dear G & M Zacharia Trust:

Re: Notice of Monthly Deduction Rate Increase for 92332828

We are making a change that affects the universal life insurance policy that you purchased from Transamerica on 12/20/1990. This change impacts future payments you may need to make under the terms of the policy. We wanted to let you know about it as soon as possible, so you can evaluate your coverage and decide what you want to do. After you read this letter, we encourage you to **contact us toll free at 1-844-987-0897.** We have a special team of experts standing by who can talk you through the options, answer questions and assist with next steps. Please see below for hours of operation.

What's Changing and Why

Once a month, Transamerica withdraws a "monthly deduction" from the policy's accumulation value. The factors that affect monthly deduction rates are outlined in your policy. **Starting on your next policy anniversary date, your monthly deduction rates will increase by approximately 38%.** For an estimate of your new monthly deduction for the coming policy year, please contact us at 1-844-987-0897.

We are increasing the monthly deduction rates for all TransMax policies based on our current expectations regarding our future costs of providing this coverage. After this change goes into effect, your monthly deduction rates will still be below the maximum rate allowed by your policy.

However, this increase could be significant. You have several options, which are described below. We value the relationship we have with you. We know this insurance is important to you, and want to work with you to keep coverage in place. We'll start by providing current information about your policy.

Policy Information

This information about your policy is as of 8/20/2015.

Last policy anniversary: 12/20/2014
Face amount: $250,000
Current accumulation value: $22,262.98
Current cash value (minus any policy loans): $22,262.98

A0000399

Your Options

1. **Surrender Value Option**
   You may choose to surrender your policy for the cash value as of the date we receive your surrender request. You can take this in cash or you may be able to exchange it for another life insurance policy that accumulates cash value—either with us or another carrier.

   The decision to surrender your policy should not be taken lightly and without consulting your tax, insurance and/or financial advisors.

2. **Reduced Face Amount Option**
   You may have the ability to decide how much premium you want to pay and for what duration you wish to keep the policy in force. If so, we can reduce the face amount to the level supported by that premium - assuming it's above any minimum face amount. If this option is of interest to you, please contact us at the number below to request an illustration based on your preferred premium.

3. **Retaining the Current Face Amount Option**
   You may choose to take no action. With this option, you would maintain your policy at the current face amount after the monthly deduction increase. However, at some point, you may need to pay additional premiums in order to keep the policy in force. The best way to evaluate this option is to request an illustration so that you can see how the policy could change, depending on the premiums paid. Please note that we will only alter your planned premium if you direct us to do so.

   When you call our team of experts at 1-844-987-0897, you can request an illustration and learn whether there are additional options available to you, based on your specific policy.

What to Do Next

We understand you need to consider your choices very carefully. We encourage you to contact us directly and toll free at 1-844-987-0897, Monday through Friday, from 8:00 am until 6:00 pm, Central Time, or you can contact your insurance representative. It's also important that you discuss your policy and insurance needs with your own advisors, as we cannot offer tax or legal advice. You are welcome to include your personal financial advisor on the call when you contact us.

For more information, please call us at 1-844-987-0897, Monday – Friday from 8:00 am – 6:00 pm, Central Time.

CC: 893513

TRANSAMERICA®
LIFE INSURANCE COMPANY
Administrative Office | 4333 Edgewood Road, NE | Cedar Rapids | Iowa 52499

February 8, 2016

Dear

Re: Notice of Monthly Deduction Rate Increase for 92469810

We are making a change that affects the universal life insurance policy that you purchased from Transamerica on 3/22/1994. This change impacts future payments you may need to make under the terms of the policy. We wanted to let you know about it as soon as possible, so you can evaluate your coverage and decide what you want to do. After you read this letter, we encourage you to **contact us toll free at 1-844-987-0897.** We have a special team of experts standing by who can talk you through the options, answer questions and assist with next steps. Please see below for hours of operation.

What's Changing and Why
Once a month, Transamerica withdraws a "monthly deduction" from the policy's accumulation value. The factors that affect monthly deduction rates are outlined in your policy. **Starting on your next policy anniversary date, your monthly deduction rates will increase by approximately 11%. This rate increase is in addition to the customary increases that are associated with age.** For an estimate of your new monthly deduction for the coming policy year, please contact us at 1-844-987-0897.

We are increasing the monthly deduction rates for all TransUltra UL1X16 policies based on our current expectations regarding our future costs of providing this coverage. After this change goes into effect, your new monthly deduction rates will still not exceed the maximum rate allowed by your policy.

However, this increase could be significant. You have several options, which are described below. We value the relationship we have with you. We know this insurance is important to you, and want to work with you to keep coverage in place. We'll start by providing current information about your policy.

Policy Information
This information about your policy is as of 11/22/2015.

Last policy anniversary: 3/22/2015
Face amount: $1,666,667
Current accumulation value: $210,235.72
Current cash value (minus any policy loans): $210,235.72

Your Options

1. **Surrender Value Option**
   You may choose to surrender your policy for the cash value as of the date we receive your surrender request. You can take this in cash or you may be able to exchange it for another life insurance policy that accumulates cash value—either with us or another carrier.

   The decision to surrender your policy should not be taken lightly and without consulting your tax, insurance and/or financial advisors.

2. **Reduced Face Amount Option**
   You may have the ability to decide how much premium you want to pay and for what duration you wish to keep the policy in force. If so, we can reduce the face amount to the level supported by that premium - assuming it's above any minimum face amount. If this option is of interest to you, please contact us at the number below.

3. **Retaining the Current Face Amount Option**
   You may choose to take no action. With this option, so long as there is sufficient accumulation value, you would maintain your policy at the current face amount after the monthly deduction increase. However, at some point, you may need to pay additional premiums in order to keep the policy in force. The best way to evaluate this option is to request a quote so that you can see how the policy could change, depending on the premiums paid. Please note that we will only alter your planned premium if you direct us to do so.

   When you call our team of experts at 1-844-987-0897, you can find out whether there are additional options available to you, based on your specific policy.

What to Do Next

We understand you need to consider your choices very carefully. We encourage you to contact us directly and toll free at 1-844-987-0897, Monday through Friday, from 8:00 am until 6:00 pm, Central Time, or you can contact your insurance representative. It's also important that you discuss your policy and insurance needs with your own advisors, as we cannot offer tax or legal advice. You are welcome to include your personal financial advisor on the call when you contact us.

For more information, please call us at 1-844-987-0897, Monday – Friday from 8:00 am – 6:00 pm, Central Time.

CC: 991108

TRANSAMERICA®
LIFE INSURANCE COMPANY
Administrative Office | 4333 Edgewood Road, NE | Cedar Rapids | Iowa 52499

RECEIVED
JAN 13 REC'D

January 4, 2016

Dear P

Re: Notice of Monthly Deduction Rate Increase for 92498155

We are making a change that affects the universal life insurance policy that you purchased from Transamerica on 2/15/1995. This change impacts future payments you may need to make under the terms of the policy. We wanted to let you know about it as soon as possible, so you can evaluate your coverage and decide what you want to do. After you read this letter, we encourage you to **contact us toll free at 1-844-987-0897.** We have a special team of experts standing by who can talk you through the options, answer questions and assist with next steps. Please see below for hours of operation.

What's Changing and Why

Once a month, Transamerica withdraws a "monthly deduction" from the policy's accumulation value. The factors that affect monthly deduction rates are outlined in your policy. **Starting on your next policy anniversary date, your monthly deduction rates will increase by approximately 11%.** For an estimate of your new monthly deduction for the coming policy year, please contact us at 1-844-987-0897.

We are increasing the monthly deduction rates for all TransUltra policies based on our current expectations regarding our future costs of providing this coverage. After this change goes into effect, your monthly deduction rates will still be below the maximum rate allowed by your policy.

However, this increase could be significant. You have several options, which are described below. We value the relationship we have with you. We know this insurance is important to you, and want to work with you to keep coverage in place. We'll start by providing current information about your policy.

Policy Information

This information about your policy is as of 10/15/2015.

Last policy anniversary: 2/15/2015
Face amount: $1,400,000
Current accumulation value: $159,013.81
Current cash value (minus any policy loans): $159,013.81

Your Options

1. **Surrender Value Option**
   You may choose to surrender your policy for the cash value as of the date we receive your surrender request. You can take this in cash or you may be able to exchange it for another life insurance policy that accumulates cash value—either with us or another carrier.

   The decision to surrender your policy should not be taken lightly and without consulting your tax, insurance and/or financial advisors.

2. **Reduced Face Amount Option**
   You may have the ability to decide how much premium you want to pay and for what duration you wish to keep the policy in force. If so, we can reduce the face amount to the level supported by that premium - assuming it's above any minimum face amount. If this option is of interest to you, please contact us at the number below to request an illustration based on your preferred premium.

3. **Retaining the Current Face Amount Option**
   You may choose to take no action. With this option, you would maintain your policy at the current face amount after the monthly deduction increase. However, at some point, you may need to pay additional premiums in order to keep the policy in force. The best way to evaluate this option is to request an illustration so that you can see how the policy could change, depending on the premiums paid. Please note that we will only alter your planned premium if you direct us to do so.

   When you call our team of experts at 1-844-987-0897, you can request an illustration and learn whether there are additional options available to you, based on your specific policy.

What to Do Next
We understand you need to consider your choices very carefully. We encourage you to contact us directly and toll free at 1-844-987-0897, Monday through Friday, from 8:00 am until 6:00 pm, Central Time, or you can contact your insurance representative. It's also important that you discuss your policy and insurance needs with your own advisors, as we cannot offer tax or legal advice. You are welcome to include your personal financial advisor on the call when you contact us.

For more information, please call us at 1-844-987-0897, Monday – Friday from 8:00 am – 6:00 pm, Central Time.

CC: 991108

TRANSAMERICA®
LIFE INSURANCE COMPANY
Administrative Office | 4333 Edgewood Road, NE | Cedar Rapids | Iowa 52499

Gerald R Lyons
28272 Borgona
Mission Viejo, CA 92692-1602

April 29, 2016

Dear Gerald R Lyons:

Re: Notice of Monthly Deduction Rate Increase for 000060079202

We are making a change that affects the universal life insurance policy that you purchased from Transamerica on 06/22/2001. This change impacts future payments you may need to make under the terms of the policy. We wanted to let you know about it as soon as possible, so you can evaluate your coverage and decide what you want to do. After you read this letter, we encourage you to **contact us toll free at 1-844-987-0897.** We have a special team standing by who can talk you through the options, answer questions and assist with next steps. Please see below for hours of operation.

What's Changing and Why
Once a month, Transamerica withdraws a "monthly deduction" from the policy's accumulation value. The factors that affect monthly deduction rates are outlined in your policy. **Starting on your next policy anniversary date, your monthly deduction rates will increase by approximately 100%. This rate increase is in addition to the customary increases that are associated with age.** For an estimate of your new monthly deduction for the coming policy year, please contact us at 1-844-987-0897.

We are increasing the monthly deduction rates for all TransUltra XL TULTRACXL policies based on our current expectations regarding our future costs of providing this coverage. After this change goes into effect, your new monthly deduction rates will still not exceed the maximum rate allowed by your policy.

However, this increase could be significant. You have several options, which are described below. We value the relationship we have with you. We know this insurance is important to you, and want to work with you to keep coverage in place. We'll start by providing current information about your policy.

Policy Information
This information about your policy is as of 03/22/2016.

Last policy anniversary: 06/22/2015
Face amount: $ 150,000.00
Current accumulation value: $ 32,916.64
Current cash value (minus any policy loans): $ 32,916.64

TRANSAMERICA®
LIFE INSURANCE COMPANY
Administrative Office | 4333 Edgewood Road, NE | Cedar Rapids | Iowa 52499

Clarence E White
PO Box 5525
Saipan, MP 96950-5525

March 21, 2016

Dear Clarence E White:

Re: Notice of Monthly Deduction Rate Increase for 92448993

We are making a change that affects the universal life insurance policy that you purchased from Transamerica on 5/12/1993. This change impacts future payments you may need to make under the terms of the policy. We wanted to let you know about it as soon as possible, so you can evaluate your coverage and decide what you want to do. After you read this letter, we encourage you to **contact us toll free at 1-844-987-0897.** We have a special team standing by who can talk you through the options, answer questions and assist with next steps. Please see below for hours of operation.

What's Changing and Why

Once a month, Transamerica withdraws a "monthly deduction" from the policy's accumulation value. The factors that affect monthly deduction rates are outlined in your policy. **Starting on your next policy anniversary date, your monthly deduction rates will increase by approximately 11%. This rate increase is in addition to the customary increases that are associated with age.** For an estimate of your new monthly deduction for the coming policy year, please contact us at 1-844-987-0897.

We are increasing the monthly deduction rates for all TransUltra UL1X17 policies based on our current expectations regarding our future costs of providing this coverage. After this change goes into effect, your new monthly deduction rates will still not exceed the maximum rate allowed by your policy.

However, this increase could be significant. You have several options, which are described below. We value the relationship we have with you. We know this insurance is important to you, and want to work with you to keep coverage in place. We'll start by providing current information about your policy.

Policy Information

This information about your policy is as of 2/12/2016.

Last policy anniversary: 5/12/2015
Face amount: $100,000.00
Current accumulation value: $1,491.79
Current cash value (minus any policy loans): $1,491.79

Your Options

1. **Surrender Value Option**
   You may choose to surrender your policy for the cash value as of the date we receive your surrender request. You can take this in cash or you may be able to exchange it for another life insurance policy that accumulates cash value—either with us or another carrier.

   The decision to surrender your policy should not be taken lightly and without consulting your tax, insurance and/or financial advisors.

2. **Reduced Face Amount Option**
   You may have the ability to decide how much premium you want to pay and for what duration you wish to keep the policy in force. If so, we can reduce the face amount to the level supported by that premium - assuming it's above any minimum face amount. If this option is of interest to you, please contact us at the number below.

3. **Retaining the Current Face Amount Option**
   You may choose to take no action. With this option, so long as there is sufficient accumulation value, you would maintain your policy at the current face amount after the monthly deduction increase. However, at some point, you may need to pay additional premiums in order to keep the policy in force. The best way to evaluate this option is to request a quote so that you can see how the policy could change, depending on the premiums paid. Please note that we will only alter your planned premium if you direct us to do so.

   When you call our team at 1-844-987-0897, you can find out whether there are additional options available to you, based on your specific policy.

What to Do Next
We understand you need to consider your choices very carefully. We encourage you to contact us directly and toll free at 1-844-987-0897, Monday through Friday, from 8:00 am until 6:00 pm, Central Time, or you can contact your insurance representative. It's also important that you discuss your policy and insurance needs with your own advisors, as we cannot offer tax or legal advice. You are welcome to include your personal financial advisor on the call when you contact us.

For more information, please call us at 1-844-987-0897, Monday – Friday from 8:00 am – 6:00 pm, Central Time.

CC: 599250

POLCHG5

TRANSAMERICA®
LIFE INSURANCE COMPANY
Administrative Office | 4333 Edgewood Road, NE | Cedar Rapids | Iowa 52499

Gail Thompson
2275 Evergreen St
San Diego, CA 92106-1620

March 21, 2016

Dear Gail Thompson:

Re: Notice of Monthly Deduction Rate Increase for 92370232

We are making a change that affects **the universal life insurance policy** that you purchased from Transamerica on 5/28/1991. This change impacts future payments you may need to make under the terms of the policy. We wanted to let you know about it as soon as possible, so you can evaluate your coverage and decide what you want to do. After you read this letter, we encourage you to **contact us toll free at 1-844-987-0897.** We have a special team standing by who can talk you through the options, answer questions and assist with next steps. Please see below for hours of operation.

What's Changing and Why

Once a month, Transamerica withdraws a "monthly deduction" from the policy's accumulation value. The factors that affect monthly deduction rates are outlined in your policy. **Starting on your next policy anniversary date, your monthly deduction rates will increase by approximately 21%. This rate increase is in addition to the customary increases that are associated with age.** For an estimate of your new monthly deduction for the coming policy year, please contact us at 1-844-987-0897.

We are increasing the monthly deduction rates for all TransMax Survivor UL1X48 policies based on our current expectations regarding our future costs of providing this coverage. After this change goes into effect, your new monthly deduction rates will still not exceed the maximum rate allowed by your policy.

However, this increase could be significant. You have several options, which are described below. We value the relationship we have with you. We know this insurance is important to you, and want to work with you to keep coverage in place. We'll start by providing current information about your policy.

Policy Information

This information about your policy is as of 2/28/2016.

Last policy anniversary: 5/28/2015
Face amount: $500,000.00
Current accumulation value: $35,832.44
Current cash value (minus any policy loans): $35,832.44

Your Options

1. **Surrender Value Option**

   You may choose to surrender your policy for the cash value as of the date we receive your surrender request. You can take this in cash or you may be able to exchange it for another life insurance policy that accumulates cash value—either with us or another carrier.

   The decision to surrender your policy should not be taken lightly and without consulting your tax, insurance and/or financial advisors.

2. **Reduced Face Amount Option**

   You may have the ability to decide how much premium you want to pay and for what duration you wish to keep the policy in force. If so, we can reduce the face amount to the level supported by that premium - assuming it's above any minimum face amount. If this option is of interest to you, please contact us at the number below.

3. **Retaining the Current Face Amount Option**

   You may choose to take no action. With this option, so long as there is sufficient accumulation value, you would maintain your policy at the current face amount after the monthly deduction increase. However, at some point, you may need to pay additional premiums in order to keep the policy in force. The best way to evaluate this option is to request a quote so that you can see how the policy could change, depending on the premiums paid. Please note that we will only alter your planned premium if you direct us to do so.

   When you call our team at 1-844-987-0897, you can find out whether there are additional options available to you, based on your specific policy.

What to Do Next

We understand you need to consider your choices very carefully. We encourage you to contact us directly and toll free at 1-844-987-0897, Monday through Friday, from 8:00 am until 6:00 pm, Central Time, or you can contact your insurance representative. It's also important that you discuss your policy and insurance needs with your own advisors, as we cannot offer tax or legal advice. You are welcome to include your personal financial advisor on the call when you contact us.

For more information, please call us at 1-844-987-0897, Monday – Friday from 8:00 am – 6:00 pm, Central Time.

EXHIBIT C

NAIC National Association of Insurance Commissioners
& The Center for Insurance Policy and Research
CIPR newsletter

April 2012

Low Interest Rates and the Implications on Life Insurers

By Larry Bruning, FSA, MAAA, CLU, NAIC International Life Actuary; Shanique Hall, CIPR Manager; and Dimitris Karapiperis, CIPR Research Analyst III

• Introduction

The prolonged low interest rate environment has had a notable impact on many segments of the economy, including the life insurance industry. Since 2007, interest rates have gradually declined to historical lows. Life insurers are adversely impacted by interest rates because of the guarantees and policyholder options in many of the products they sell. As a result, life insurers face a considerable amount of interest rate risk, particularly those with a high amount of interest-sensitive policies in their product mix. Moreover, with U.S. Treasury yields near historic lows, there is also concern that investment income could decline to a point where life insurers might not be able to fund guaranteed policy benefits. The prolonged low level of interest rates is rare, but not unprecedented. However, it does call for proactive regulatory monitoring and initiatives by insurance regulators.

• Current Low Interest Rate Environment

Interest rates have declined significantly over the past several years in response to the global financial crisis. The Federal Reserve (Fed) began cutting interest rates in 2007 amid signs the economy was slowing and the housing market was under severe stress. The 10-year Treasury yield—which is the reference rate upon which many fixed-rate loans are based—has fallen to levels not seen since the 1960s. At year-end 2011, the yield on a 10-year Treasury note was 2.78%, compared with 3.22% in 2010 and 4.63% in 2007 (Figure 1).

Figure 1: Historical 10-Year Treasury Yield
Source: U.S. Department of the Treasury, Federal Reserve (H.15)

The Fed has implemented a number of unusual monetary policy measures aimed at keeping rates low, which it has described as "extraordinary measures." These have included a number of bond purchases, referred to as "quantitative easing," and lengthening the average maturity of treasuries held in its bond portfolio (dubbed Operation Twist[1] after a similar program the Fed instituted in the 1960s). The goal of these measures was to lower longer-term interest rates, resulting in a flatter yield curve, in hopes of avoiding deflation, reducing the unemployment rate, lowering mortgage rates and stimulating the U.S. economy.

Given the concern that low interest rates might be here to stay—supported by the Fed's pledge to keep short-term interest rates near zero at least until mid-2013[2]—questions have been raised about the long-term implications for life insurers. The current economic environment, coupled with the uncertainty about the future direction of interest rates, could pose unique challenges for life insurers.

• Low Interest Rates Impact on Life Insurers'

Life insurance companies face considerable interest rate risk given their investments in fixed-income securities and their unique liabilities. For life insurance companies, their assets and liabilities are heavily exposed to interest rate movements. Interest rate risk can materialize in various ways, impacting life insurers' earnings, capital and reserves, liquidity and competitiveness. Moreover, the impact of a low interest rate environment depends on the level and type of guarantees offered. Much of the business currently on life insurers' books could be vulnerable to a sustained low interest rate environment (e.g., such as Japan has experienced).

Life insurers typically derive their profits from the spread between their portfolio earnings and what they credit as interest on insurance policies. During times of persistent low interest rates, life insurers' income from investments might be insufficient to meet contractually guaranteed obligations to policyholders which cannot be lowered.

Furthermore, interest rate risk can be greatly exacerbated when funds are continuously invested in a low interest rate environment that suppresses life insurers' earnings. Should interest rates continue to hover at low levels, life insurers' earnings could continue to be pressured for some time. At the same time, while it is true that life insurers' typical long-duration investments tend to increase their portfolios' duration risk, the current steepness of the yield curve means a long-duration strategy could produce a comparatively higher yield, compensating for this additional risk.

Life insurers typically offer products that come with certain guarantees regarding the level of income over the life of the policy, which could be 30 years or more. Considering that a number of these products were written at a time when the economic outlook appeared dramatically different, life insurers are facing a potential mismatch between their assets and liabilities.

Central to a life company's strategy is the goal to match assets and liabilities. As most life insurance contract liabilities are long-duration contracts, it is not always easy to achieve a perfect match of long-duration assets. In a low interest rate environment, it is challenging to find relatively low-risk, high-yield, long-duration assets to match annuities that guarantee a minimum annual return (e.g., 4%). For many policies, low interest rates mean that some mismatch with assets is likely. For example, older fixed income insurance products that guarantee rates of around 6%—closely matching or conceivably even surpassing current investment portfolio yields—are likely to put a strain on life insurers as a result of spread compression or possibly negative interest margins.

While there is no straightforward method to aggregate interest rate risk for insurers, relative exposure to interest rate risk could be gauged by considering the type and the proportion of interest rate risk-sensitive products of each insurer. Figure 2 below presents the degree of interest rate sensitivity of each life product type, from high to low.

Figure 2: Interest Rate Sensitivity by Life Product

Generally, fixed annuity products are the most sensitive to interest rate risk because they are guaranteed to earn a fixed rate of return throughout the life of the product. Products that combine protection with asset accumulation guaranteeing minimum returns (e.g., universal life) have more interest rate risk than protection-oriented products (e.g., whole and term life). At the same time, companies offering universal life products can offset some of the interest rate risk with built-in non-guaranteed elements, such as fees and charges.

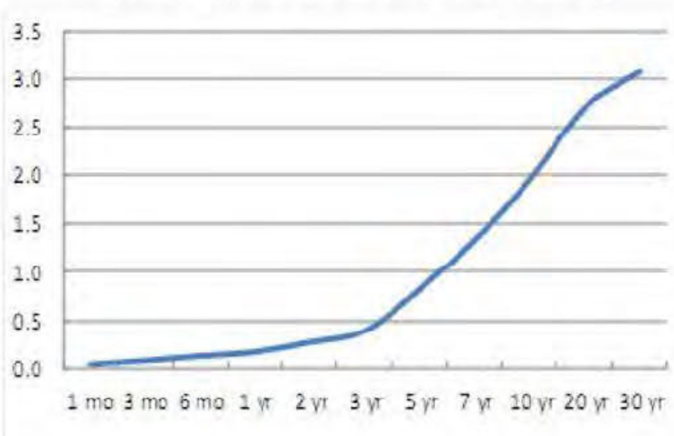
Life insurers depend on their capital and reserves to absorb risk. A prolonged period of low interest rates would not only negatively impact life companies' investment income (particularly those with more long-term exposure) but would also push reserves higher impacting their profitability and capital adequacy.

Persistent low interest rates can also affect earnings and life insurers' liquidity. Liquidity management is critical for life insurers. Asset/liability management (ALM) supports interest rate management for both assets and liabilities. Most life insurance companies strive to match liability cash flows with asset cash flows to avoid setting up an additional asset/liability mismatch reserve. While most life companies' essentially employ buy-and-hold strategies with well-matched liabilities and assets, spread volatility risk and prepayment risk can undermine the best asset/liability management strategy if it is grounded entirely on duration.

During adverse economic conditions (e.g., declining credit spreads, low interest rates), assets and liabilities can be significantly mismatched by cash flow, exposing insurers to losses from uneconomic asset sales to meet current obligations. While it is true that, in a prolonged low interest rate environment, increased pressure on earnings is a significant risk, life insurers' liquidity demands also tend to diminish as policyholders are more likely to keep their money in annuities and other accumulation products due to the scant availability of higher-yielding alternatives.

Furthermore, life insurance companies rely on long-term rates to be competitive and benefit from a steep yield curve because they can offer more attractive returns for their long-term investments (Figure 3). The steepness of the yield curve gives fixed annuities a great advantage over comparable conservative investments, such as certificates of deposit (CDs). This advantage becomes particularly pronounced during volatile and uncertain times, when demand for conservative investments tends to be higher. Fixed annuities registered record sales in 2008 during the peak of the financial crisis before they gradually retreated as the equities markets started to recover and their credit spread over CDs rates declined.

Figure 3: Treasury Yield Curve (4/23/12)
Source: U.S. Department of the Treasury



Life insurance companies with well-established asset-liability management programs are best prepared to manage through a low interest period. Furthermore, the utilization of new sophisticated enterprise risk management (ERM) techniques, can enhance insurers' ability to monitor their asset/liability positions by employing cash-flow analysis, duration, convexity, earnings and capital at risk and focusing on tail returns and expected shortfall. Also, life insurance companies can take action before rates drop and effectively hedge interest risk through interest rate floors or forward cash flow hedging.

• How Insurers Counter Low Interest Rates

Insurers have various tools to address the risk of persistently low interest rates. Increasing the duration of their assets to ensure better matching between assets and liabilities is at the core of life companies' interest rate risk strategies as part of their overall ALM. Insurers also can lower the terms of new policies (i.e., by lowering guaranteed rates), thereby progressively lowering liabilities.

Generally, in times of low interest rates, the main challenge for insurers' ALM is that current lower-yielding investments cannot meet past return assumptions (reinvestment rate risk). As higher-yielding investments mature and roll over into lower-yielding assets, the degree of risk faced by an insurer depends on the extent of the duration mismatch between assets and liabilities. The duration of some life insurers' liabilities exceed the longest duration assets that may be available for purchase and, as a result, companies could be exposed to reinvestment rate risk.

At the same time, while the strategy of duration match seems straightforward enough in theory, in practice it is much harder to achieve a perfect hedge against interest rate risk. Most life insurance liabilities have been incurred from long duration contracts and as a result can lead to a less-than-perfect match between asset and liability cash flows.

Life insurers also can try to offset low interest rates by diversifying their products and investment portfolios. Companies with diversified books ordinarily tend to have less overall exposure to interest rate risk if their interest-sensitive product lines are well-balanced with non-interest-sensitive lines. Furthermore, adjusting the pricing and/or the features and terms of new policies (i.e. by lowering guaranteed rates) can help progressively lower liabilities providing a relief to insurers that face spread compression for existing products.

Investing in higher-yielding assets to improve investment income and counter the impact of low interest rates, albeit at the cost of potentially assuming more credit risk, might be another option that life companies could exercise. However, as a word of caution, this strategy could result in material realized and unrealized losses. The NAIC Capital Markets Bureau has begun analyzing changes in asset mix from year-end 2010 to year-end 2011 and found significant dollar increases in two areas; structured securities and investments in commercial real estate, either through mortgage loans or equity. In the case of structured securities, the increase is largely attributable to additional investments in agency-backed Residential Mortgage-Backed Securities (RMBS), which are effectively supported by the Federal government. In the case of commercial real estate investments,

growth was higher than overall growth in invested assets. However, the increase as a percent of invested assets was modest and the current percentage remains below the recent high in this category in 2008.

Some life insurers implement interest rate hedging strategies based on derivatives that allow them to manage and mitigate risk by "locking in" higher interest rates. On the other hand, hedging with derivatives could also pose certain risks, such as counterparty risk, which increases substantially with the length of time required for the hedging strategy.

The most common risk hedged by the insurance industry is interest rate risk. According to 2010 year-end NAIC data, about 64% of insurers' total notional value of outstanding over-the-counter (OTC) derivatives and futures contracts is used in mitigating risks resulting from volatility in interest rates. Interest rate swaps[3] were the most common swaps derivative instrument utilized by insurers in their hedging strategies, representing approximately 75% of the swaps exposure. Furthermore, interest rate swaps comprised about 73% of the hedges with maturity dates of 2021 and beyond, and 45% of the hedges with maturity dates between 2016 and 2020.

Other derivative instruments utilized by life companies to mitigate interest rate risk, are fixed-income futures (which obligate the insurer to sell a specified bond at a specified price to a counterparty at a future date), floors (which entitle the insurer to receive payments from a counterparty if interest rates drop under a specified level) and "swaptions" (which give the insurer an option to enter into a fixed swap with an above-market coupon if rates decline).

• NAIC Low Interest Rate Study and Methodology

The NAIC conducted a study of the impact of the low interest rate environment on the life insurance industry in the United States. The data used in the study was gathered from the financial annual statements filed by life insurance companies for the years 2006 through 2010. The objective of the study was to determine the effect the low interest rate environment has had on the net investment spread[4]

- The Gross Portfolio Yield was determined as (two times Gross Investment Income) / (Invested Assets Beginning of Year plus Invested Assets End of Year minus Gross Investment Income).
- The Net Portfolio Yield was determined as (two times Net Investment Income) / (Invested Assets Beginning of Year plus Invested Assets End of Year minus Net Investment Income).
- Net Investment Income equals Gross Investment Income less Investment Expenses and Investment Taxes, Licenses and Fees.
- Guaranteed Interest Rate was determined as the Weighted Average Valuation Interest Rate.
- Net Spread over Guaranteed Interest Rate equals the Net Portfolio Yield less the Guaranteed Interest Rate.
- Gross and Net Investment Income was taken from the Exhibit of Net Investment Income from the NAIC Life Annual Statement Blank for each company in the study.
- Invested Assets at the Beginning and End of the Year was taken from the Assets Page 2 of the NAIC Life Annual statement Blank for each company in the study.
- The Weighted Average Valuation Interest Rate was calculated from data in Exhibit 5 – Aggregate Reserve for Life Contracts from the

of the life insurance industry between 2006 and 2010.

The results of the study include data from 713 life insurance company legal entities that had submitted data for all five years of the study (2006—2010). Exhibit 5 reserves by year are shown in Figure 4. The reserves from these 713 legal entities represented 99.99% of the total industry life insurance reserves.

NAIC Life Annual Statement Blank for each company in the study.

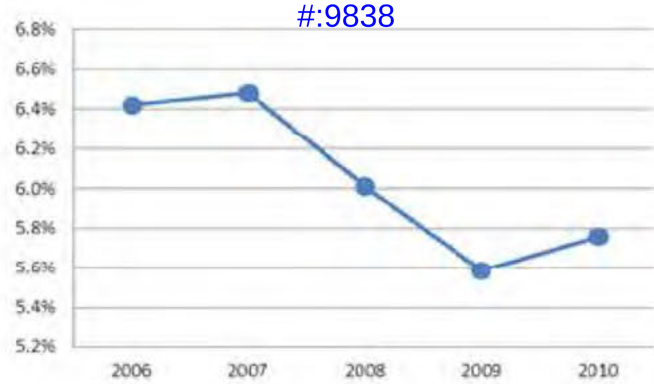
- The Guaranteed Credited Rate of Interest was set equal to the Weighted Average Valuation Interest Rate for each company in the study. Therefore the Weighted Average Valuation Interest Rate was used as a proxy for the Guaranteed Credited Rate of Interest.

Figure 4: Total Exhibit 5 Reserve by Year

Year	Number of Legal Entities	Total Reserve
2010	713	$ 2.57 Trillion
2009	713	$ 2.46 Trillion
2008	713	$ 2.30 Trillion
2007	713	$ 2.10 Trillion
2006	713	$ 1.98 Trillion

The data in Figure 5 shows the decline in the life insurance industry's gross portfolio yield from 2006 through 2010. This drop in yield reflects the lower interest rate environment within which the industry had to invest any positive cash flows (premiums plus investment income less policy claims). The industry lost 66 basis points of gross yield between 2006 and 2010 (89 basis points of gross yield between the high in 2007 and the low in 2009). The 17 basis point increase in yield between 2009 and 2010 might be due to industry hedging activity and due in part to the slow recovery from the financial crisis, which hit bottom in the first quarter of 2009. It is also interesting to note that the smaller-size companies (i.e., those with reserves of less than $5 million) had a larger decline in gross portfolio yield. Smaller-size companies are less able to leverage their investment activities and must purchase smaller-sized assets than larger competitors. In addition, small insurers might be less likely to hedge interest rate risk.

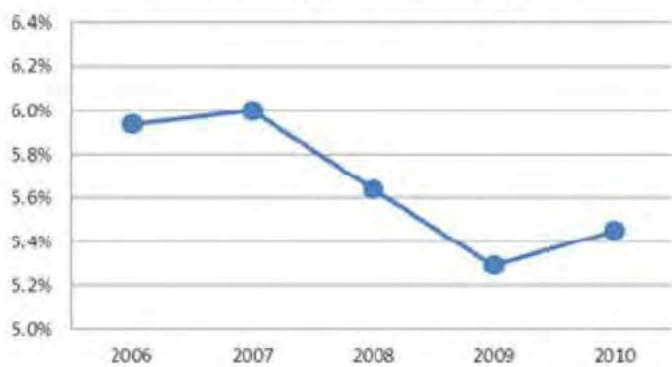
Figure 5: Gross Portfolio Yield by Year



Company Size	Gross Portfolio Yield				
Reserves	2006	2007	2008	2009	2010
< $5 Million	5.26%	5.30%	5.12%	5.02%	3.76%
$5 M - $50 M	5.58%	5.72%	5.43%	5.04%	4.83%
$50 M - $500 M	5.98%	6.15%	5.88%	5.60%	5.59%
$500 M - $5 B	6.34%	6.42%	6.01%	5.83%	5.79%
> $5 B	6.44%	6.50%	6.01%	5.56%	5.76%
Total	**6.42%**	**6.48%**	**6.01%**	**5.59%**	**5.76%**

The data in Figure 6 looks at net portfolio yield. Again, the data show a decline in the life insurance industry's yield between 2006 and 2010. The industry lost 49 basis points of net yield between 2006 and 2010 (71 basis points of net yield between the high in 2007 and the low in 2009). The drop in net portfolio yield is less than the drop in gross yield which could be due, in part, to cost-cutting measures companies have taken as spreads have declined and a shift to less asset-intensive securities. The difference between the gross and net portfolio yields reflects investment expenses, as well as investment taxes, licenses and fees. These expenses were approximately 48 basis points in 2006 and dropped to 31 basis points in 2010.

Figure 6: Net Portfolio Yield by Year



Company Size	Net Portfolio Yield				
Reserves	2006	2007	2008	2009	2010
< $5 Million	4.47%	4.53%	4.44%	4.60%	3.45%
$5 M - $50 M	5.06%	5.18%	4.88%	4.47%	4.27%
$50 M - $500 M	5.44%	5.74%	5.51%	5.25%	5.22%
$500 M - $5 B	5.92%	6.04%	5.68%	5.56%	5.53%
> $5 B	5.95%	6.00%	5.64%	5.25%	5.44%
Total	**5.94%**	**6.00%**	**5.64%**	**5.29%**	**5.45%**

As was stated earlier in this report (see sidebar), a proxy for the guaranteed credited rate of interest was used. The proxy was the weighted average valuation interest rate. Credited interest rate guarantees may be less than the valuation rate of interest; however, state insurance law dictates the minimum valuation interest rate that must be used in valuing insurance liabilities (policy reserves). This, in effect, means that the insurance company must have a net portfolio yield at least as great as the minimum valuation interest rate in order to fund the growth in policy reserves. Valuation interest rates for life insurance are determined each calendar year and apply to business issued in that calendar year. These valuation interest rates are locked in at policy issue and do not change. The calendar year statutory valuation interest rate IR shall be determined as follows and the results rounded to the nearer one-quarter of 1%:

where

R_1 is the minimum of R and .09

R_2 is the maximum of R and .09

R is the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year preceding the year of issue, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody's Investors Service, Inc.

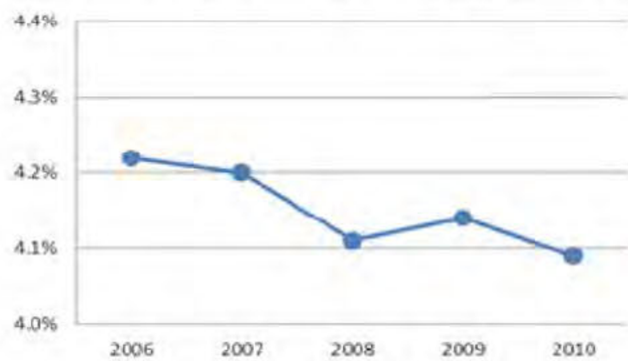
W is the weighting factor based on guarantee duration from the table:

The guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates or non-forfeiture values, or both, and that are guaranteed in the original policy.

Guarantee Duration in Years	Weighting Factor
10 or less	.50
More than 10 but not more than 20	.45
More than 20	.35

Figure 7 shows that the proxy for the guaranteed interest rate declined by 13 basis points between 2006 and 2010. This is due in part to the decline in the composite yield on seasoned corporate bonds as published by Moody's Investors Service, Inc., and due in part to a change in the mix of new business written by the insurance industry.

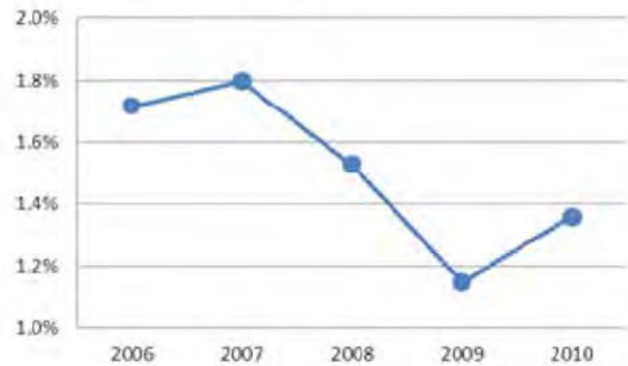
Figure 7: Guaranteed Interest Rate by Year



Company Size	Guaranteed Interest Rate				
Reserves	2006	2007	2008	2009	2010
< $5 Million	3.47%	3.39%	3.33%	3.31%	3.32%
$5 M - $50 M	3.70%	3.69%	3.60%	3.61%	3.61%
$50 M - $500 M	4.07%	4.09%	4.10%	4.14%	4.08%
$500 M - $5 B	4.35%	4.27%	4.27%	4.18%	4.16%
> $5 B	4.20%	4.19%	4.09%	4.13%	4.08%
Total	**4.22%**	**4.20%**	**4.11%**	**4.14%**	**4.09%**

Looking at the difference between the net portfolio yield and the guaranteed interest rate (Figure 8), we can see the impact the low interest rate environment has had on the insurance industry. Investment net spreads declined 36 basis points between 2006 and 2010 (65 basis points of spread between the high in 2007 and the low in 2009). This is a significant drop in spread over a five-year period of time, amounting roughly to $8.2 billion of lost spread revenue over the five-year period on average reserves of $2.283 trillion.

Figure 8: Net Spread Over Guaranteed Interest Rate by Year



Company Size	Net Spread over Guaranteed Interest Rate				
Reserves	2006	2007	2008	2009	2010
< $5 Million	1.00%	1.14%	1.11%	1.29%	0.13%
$5 M - $50 M	1.36%	1.49%	1.28%	0.86%	0.66%
$50 M - $500 M	1.37%	1.65%	1.41%	1.11%	1.14%
$500 M - $5 B	1.57%	1.77%	1.41%	1.38%	1.37%
> $5 B	1.75%	1.81%	1.55%	1.12%	1.36%
Total	**1.72%**	**1.80%**	**1.53%**	**1.15%**	**1.36%**

While this is significant, the life insurance industry is still in a position of positive net investment income spread of around 136 basis points. So, to date, the low interest rate environment has created spread compression on earnings, but has not yet impacted insurance company solvency, which would begin to occur when the spread compression drops below zero. It is important to note that the pricing of life insurance products in the United States not only contains an investment spread margin, but also a spread margin built into the mortality rates and the expense component (e.g., contract fees and policy expense charges).

- **Asset/Liability Management**

As previously noted, one tool life insurers use to manage interest rate risk is the matching of asset and liability cash flows. In fact, statutory valuation law requires insurance companies to perform an annual cash flow testing exercise where the life insurance company must build a financial model of their in-force assets and liabilities. The company must run the financial model for a sufficient number of years, such that any remaining in-force liability at the end of the projection period is not material.

At each duration, the financial model calculates the difference between liability and asset cash flows and accumulates this difference forward under a given interest rate scenario. The metric analyzed is typically the ending market value of surplus or the present value of the ending market value of surplus.

At the start of the model, assets are set equal liabilities so surplus is zero. Most companies run both a set of stochastically generated interest rate scenarios (typically 1,000+ scenarios), as well as a set of seven deterministic interest rate scenarios that are prescribed by state insurance regulators (referred to as "the New York 7"). The American Academy of Actuaries (AAA) has developed an economic scenario generator that randomly generates interest rate scenarios as well as market rate scenarios. Companies typically use the AAA's economic scenario generator to develop the stochastic interest rate scenarios they use in the asset adequacy analysis process.

The deterministic interest rate scenarios that were prescribed by state insurance regulators are as follows:

1. Level interest rate scenario
2. Uniformly increasing over 10 years at 0.5% per year and then level
3. Uniformly increasing over five years at 1.0% per year and then uniformly decreasing over five years at 1.0% per year and then level
4. An immediate increase of 3% and level forever
5. Uniformly decreasing over 10 years at 0.5% per year and then level
6. Uniformly decreasing over five years at 1.0% per year and then uniformly increasing over five years at 1.0% per year and then level
7. An immediate decrease of 3% and level forever

Such interest rate scenarios provide a good set of stress tests to help ensure that life insurance companies have either well matched asset and liability cash flows or have established additional reserves that are available to cover any interest rate or reinvestment rate risk that is embedded in their balance sheets. The *Standard Valuation Law* (#820) requires life insurance companies to post an additional reserve if the appointed actuary determines that a significant amount of mismatch exists between the company's asset and liability cash flows. As part of this study, the NAIC pulled the additional reserves liabilities that were established by companies at year-end 2010. The life insurance industry posted an additional asset/liability cash flow risk reserve of $6.5 billion.

• Conclusion

Persistent low interest rates are challenging in many ways. The impact of low interest rates on the life insurance industry is something that bears watching. There are policy implications regulators must consider if the low interest rate environment persist over a long period of time. Financial regulators must closely monitor the efforts of life insurers to match assets with corresponding liabilities. The impact of past guarantees must be mitigated in ways that do not create volatility or inordinate risks through aggressive hedging activity. Life insurers and their regulators need to work together to assure policyholders are protected in the most efficient ways by balancing the challenges brought about by the low interest rate environment with safe and effective risk management solutions.

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[1] On September 21, 2011, the Federal Reserve revealed its intention to shift $400 billion of short-term treasury holdings into longer-term treasury notes and bonds by the end of June 2012. The goal of the program, dubbed Operation Twist, is to lower long-term interest rates in an attempt to promote economic growth and increase employment.

[2] On August 9, 2011, the Federal Open Market Committee (FOMC) of the Federal Reserve announced its intention to keep the Federal Funds Target Rate at 0.00%-0.25% until at least mid-2013, which was the first time the Fed ever gave a specific date rather than using the term “extended period.” On December 13, 2011 the Fed reiterated that economic conditions are likely to warrant exceptionally low interest rates until at least mid-2013.

[3] In an interest rate swap, one party typically exchanges a stream of floating rate interest payments for another party’s stream of fixed rate interest payments (or vice versa).

[4] Net portfolio yield less the guaranteed credited rate of interest.

We welcome your questions and comments. Please contact us at ciprnews@naic.org or shall@naic.org.

EXHIBIT D

STATEMENT OF NONGUARANTEED ELEMENTS

TRANSAMERICA LIFE INSURANCE COMPANY

Exhibit 5 Interrogatory #3 as of 12/31/14

The following statements, answers to interrogatories, and actuarial opinion are in response to a "YES" answer to Question #3 on Page 13 of the 2014 NAIC blank. In some cases, the response addresses business assumed from an affiliated company via coinsurance.

This response covers the mortality charges, expense loading charges and interest credits to policyholder fund balances of single and periodic premium deferred annuities, universal life contracts, and deferred annuity riders; and renewal premiums on indeterminate premium contracts currently issued or in force. Determination procedures for the following are not covered by this response:

- dividends and coupons,
- charges or benefits that contractually follow a separate account result or defined index.

This response includes individually issued contracts as well as contracts issued under a "group" trust not having the discretion to select the insurer(s) on behalf of all individual insureds.

This response includes only those elements over which the company (or its affiliates via coinsurance) may by policy provisions exercise some current or future level of discretionary control. Many interest sensitive and indeterminate premium contracts contain minimum interest rate, maximum mortality charge, or maximum premium rate guarantees of either a temporary or permanent nature which the company must, as a matter of contract law, not violate.

For the purpose of this response, the nonguaranteed elements associated with different policy forms shall be considered distinct. In particular, nonguaranteed elements of a policy form first issued since the last statement was filed shall not be considered a "change" merely because its illustrated schedule of nonguaranteed elements is different from the illustrated or actual schedule of nonguaranteed elements on other policy forms.

For the purpose of this response, anticipated experience factors are those elements in the redetermination of non-guaranteed charges and benefits that reflect expected future experience. Examples of anticipated experience factors are: incidence and level of premium payments, mortality rates, investment income rates, termination rates, reinsurance results, tax rates, and expense rates.

Divisions:

ADMS	AEGON Direct Marketing Services Division
L&P	Life and Protection Division
ES&P	Employer Services and Pensions Division
IS&R	Individual Savings and Retirement Division

DETERMINATION PROCEDURES

Interest rates credited to policyholder accounts and cap or participation rates for equity indexed products are determined by each division's Interest Rate Committee or Portfolio Management Team. These committees are empowered by the Board of Directors to modify investment strategy, investment mix, and the rates credited as it deems necessary for current market and product conditions. The nonguaranteed elements are determined prospectively. These committees typically meet monthly but could meet more or less frequently as may be dictated by changing conditions.

Current mortality charges on universal life contracts are adjusted periodically utilizing company experience (where credible), applicable reinsurance rates, and/or intercompany data published by professional organizations such as the Society of Actuaries. Basic mortality data is adjusted as necessary to meet legal, regulatory, or competitive constraints imposed upon the company. The charges must also be consistent with the company's desired profit margins for the particular product under consideration.

For indeterminate premium products, a full schedule of current and anticipated premium rates is developed at the point of issue. Premium rate adjustments are considered when anticipated future experience foretells deviations from the original profit standards. The source of deviation (mortality, persistency, expense, etc.) is an important consideration in the rerating decision as well as the potential effect of a rate change on the future experience of the existing block of business.

Current expense loading charges anticipated are developed at the point of issue. Adjustments are considered when anticipated future experience foretells deviations from the original profit standards. The source of deviation (mortality, persistency, expense, etc.) is an important consideration in the adjustment decision as well as the potential effect of a change on the future experience of the existing block of business.

Experience rated group annuity contracts are credited with interest, retrospectively, in accordance with the investment year method.

For Universal Life and interest sensitive whole life contracts, credited interest rates are typically reviewed monthly, as are the caps for indexed universal life. These are adjusted as necessary to meet regulatory or competitive constraints, as well as being consistent with the company's desired profit margins for the particular product under consideration.

For retirement plan group annuity contracts, declared interest rates for the small employer market are reset every six months. Declared interest rates have been changed to reflect the investment results of the prior year and assumptions as to cash flow and investment returns available on new investments during the year for which rates are being declared.

ADMS

Indeterminate Premium Life Insurance -- The company's policy is to review experience periodically and to adjust premiums based on expectations of future investment earnings, persistency, mortality and expenses. Contractually, premium adjustments may be made at the Company's sole discretion.

INTERROGATORIES

1. **Since this statement was last filed, have there been any changes in the values of nonguaranteed elements on new or existing business authorized for illustration by reporting entity? If yes, describe the changes that were made.**

RESPONSE:

ADMS

No. There are no policies which are authorized for illustration by ADMS.

L&P

Yes. Yes. Changes have been made to the nonguaranteed current interest rates credited and cap rates on certain interest sensitive products for both new and existing business.

ES&P

Yes. Illustrated values on universal life insurance Bank Owned Life Insurance (BOLI) and Corporate Owned Life Insurance (COLI) sold by the Company reflect the actual interest rate being credited. On some policies there have been changes in COIs authorized for illustration.

IS&R

Yes. Credited rates determined by a portfolio average approach have been adjusted to reflect changes in the yield of the portfolio of assets backing the liabilities.

2. **Since this statement was last filed, have there been any changes in the values of nonguaranteed elements actually charged or credited? If yes, describe the changes that were made.**

RESPONSE: Yes.

ADMS:

No changes.

L&P

Yes. Changes have been made to the nonguaranteed credited interest rates on certain interest sensitive products. Changes also have been made to the cap on certain indexed universal life products.

ES&P

The nonguaranteed credited rates have been changed to reflect changes in yields of the underlying investments and current and anticipated market and product conditions.

IS&R

Yes. Credited rates determined by a portfolio average approach have been adjusted to reflect changes in the yield of the portfolio of assets backing the liabilities.

3. Indicate to what extent any changes described in 1 or 2 above vary from the policy and/or general methods and procedures last reported for the affected contracts.

RESPONSE: No changes.

4. Are the anticipated experience factors underlying any nonguaranteed elements different from current experience? If yes, describe in general terms the ways in which future experience is anticipated to differ from current experience and the nonguaranteed element factors which are affected by such anticipation.

RESPONSE:

ADMS

Yes. Some indeterminate premium life policies have anticipated experience factors which vary from current experience. No adjustments to premium rates are anticipated at this time.

All Other Divisions

Interest rates credited on a portfolio average approach reflect the recent historical experience of the underlying portfolio of assets. Interest rates credited on an investment generation approach are set with due consideration for asset turnover and anticipated reinvestment rates available over any contractual guarantee period.

Anticipated investment experience cannot be predicted under any reasonable degree of certainty; therefore anticipated investment experience is expected to vary (either higher or lower) from current experience.

5. State whether anticipated investment income experience factors are based on (a) a portfolio average approach, (b) an investment generation approach, or (c) other. If (b) or (c), describe the general basis used, including the investment generation groupings.

RESPONSE: Both portfolio average and investment generation methods are used.

ADMS

A portfolio average approach is used.

L&P

Both the investment generation method and the portfolio method are used. Many universal life and deferred annuity policies credit interest on a portfolio average basis. A larger portion of universal life policies credit interest on a modified investment generation approach. The investment generation method is an attempt to credit interest equitably among policyholders by crediting the same interest rate to all premiums received on the same day on all in-force policies and new issues of the same policy forms. Renewal rates are typically reviewed annually.

ES&P

The investment generation method is used for Bank Owned Life Insurance (BOLI) and Corporate Owned Life Insurance (COLI) business. The Company's BOLI and COLI business is generally comprised of large, single premium cases. As such in general, the credited rate for each case is initially determined based on the asset yield at the time premium is received less a spread to cover

the company's profit and expenses. Renewal rates are reset annually. Reinvestment rates are estimated and tracked for each case. The renewal credited rate is then set based on the estimated asset yield on investments for each case less the credited rate spread. Each case represents its own investment generation grouping. For business not comprised of large, single premiums, premiums received are grouped by calendar quarter and investment rates are tracked by these groups rather than by case.

The majority of group annuity policies credit interest on a portfolio average basis. Renewal rates are reset every six months. For a small portion of group annuities, the contract fund is allocated by calendar year of deposit. There are eleven cells for the past ten years and the eleventh is an aggregation for earlier years. During a particular year of review, the assets in the General Account are segregated by year of acquisition, and the performance of each of the eleven cells is measured. Each of the contract holder's eleven cells will be credited with interest at a rate derived from the performance of the corresponding cell of assets in the General Account during the year of review.

IS&R:

Nearly all deferred annuity policies credit interest on a modified investment generation approach. The credited rate for new money is based on the asset yield at the time premium is received less a spread to cover the company's profit and expenses. Renewal rates are reset annually.

For group annuities, the contract fund is allocated by calendar year of deposit. During a particular year of review, the assets in the General Account are segregated by year of acquisition, and the performance of each is measured. The contract holder is credited with interest rates derived from the performance of the corresponding assets in the General Account.

6. Describe how the reporting entity allocates anticipated experience among its various classes of business.

RESPONSE:

L&P:

The company conducts periodic mortality and persistency studies where experience is differentiated by type of product and/or distribution. For nonguaranteed mortality charges, current experience is used as a guide for anticipated future experience. Functional cost studies to determine operational expenses performed, would be used as a guide for changes to nonguaranteed expense charges.

All Other Divisions:

All of the classes have separate expense factors.

During product development, the anticipated cash flow of a product is analyzed under various future scenarios with respect to mortality, persistency, expenses, and interest rates. These cash flow studies together with experience studies are used to establish the schedule of mortality charges and the investment spread necessary to support company profit and surplus objectives. In addition, an investment strategy is established for the product which assists investment personnel in meeting cash flow, yield, liquidity, quality, and asset duration standards appropriate for the product.

Interest rates credited are maintained at a level approximately equal to the earned rate on the supporting assets less the target spread determined in the initial product development or by

subsequent actuarial investigation. Regardless of the spread, interest rates are never less than the guaranteed interest rates in the policy forms.

For some annuity policies, a separate annuity portfolio is maintained within the Company's general account.

7. Does the undersigned believe there is substantial probability that illustrations authorized by the company to be presented on new or existing business cannot be supported by currently anticipated experience? If yes, indicate which classes and explain.

RESPONSE:

ADMS

No. The company does not illustrate nonguaranteed elements.

All Other Divisions

Authorized illustrations can be supported by current experience. To the extent that interest rates are not predictable, there is a possibility that current illustrations are not supportable.

8. Describe any aspects of the determination of nonguaranteed elements not covered above that involve material departures from the actuarial principles and practices of the American Academy of Actuaries, applicable to the determination of nonguaranteed elements.

RESPONSE: There are no material departures from the actuarial principles and practices of the American Academy of Actuaries applicable to the determination of nonguaranteed elements.

ACTUARIAL OPINION

I, Ronald E. Hauser, am a Senior Actuary in the Investments and Retirement division of Transamerica Life Insurance Company, and a member of the American Academy of Actuaries. I have examined the actuarial assumptions and methods used in determining nonguaranteed elements for the deferred annuities of the company's Individual Savings and Retirement unit used for delivery in the United States. The nonguaranteed elements included are those:

i. Paid, credited, charged, or determined in 2014; and

ii. Authorized by the reporting entity to be illustrated on new and existing business during 2014.

My examination included such review of the actuarial assumptions and methods of the underlying basic records and such tests of the actuarial calculations as I considered necessary. In my opinion, the nonguaranteed elements described above have been determined in accordance with generally accepted actuarial principles and practices applicable to the determination of nonguaranteed elements.

Ronald E. Hauser, FSA, MAAA
Senior Actuary
Transamerica Life Insurance Company
December 31, 2014

ACTUARIAL OPINION

I, Lee Hakert, am an Assistant Vice President and Illustration Actuary in the Investments & Retirement division of Transamerica Life Insurance Company, and a member of the American Academy of Actuaries. I have examined the actuarial assumptions and methods used in determining nonguaranteed elements for the BOLI/COLI, group annuity contracts, and tax qualified plans of the company's Employer Solutions and Pensions division used for delivery in the United States. The nonguaranteed elements included are those:

i. Paid, credited, charged, or determined in 2014; and

ii. Authorized by the reporting entity to be illustrated on new and existing business during 2014.

My examination included such review of the actuarial assumptions and methods of the underlying basic records and such tests of the actuarial calculations as I considered necessary. In my opinion, the nonguaranteed elements described above have been determined in accordance with generally accepted actuarial principles and practices applicable to the determination of nonguaranteed elements.

Lee Hakert, FSA, MAAA

Lee Hakert, FSA, MAAA
Assistant Vice President and Illustration Actuary
Transamerica Life Insurance Company
December 31st, 2014

ACTUARIAL OPINION

I, John Daniel Mahoney, am an Actuary in the Life and Protection Division of Transamerica Life Insurance Company, and a member of the American Academy of Actuaries. I have examined the actuarial assumptions and methods used in determining nonguaranteed elements for the interest sensitive life and annuity products of the Life and Protection Division used for delivery in the United States. The nonguaranteed elements included are those:

i. Paid, credited, charged, or determined in 2014; and

ii. Authorized by the reporting entity to be illustrated on new and existing business during 2014.

My examination included such review of the actuarial assumptions and methods of the underlying basic records and such tests of the actuarial calculations as I considered necessary. In my opinion, the nonguaranteed elements described above have been determined in accordance with generally accepted actuarial principles and practices applicable to the determination of nonguaranteed elements.

John Daniel Mahoney
Actuary
Transamerica Life Insurance Company
12/31/2014

ACTUARIAL OPINION

I, Nancy A. Manning, am an Associate Actuary in the Affinity Marketing Group Division of Transamerica Life Insurance Company and a member of the American Academy of Actuaries. I have examined the actuarial assumptions and methods used in determining nonguaranteed elements for the individual life insurance and annuity contracts of the company's Affinity Marketing Group Division used for delivery in the United States. The nonguaranteed elements included are those:

i. Paid, credited, charged, or determined in 2014; and

ii. Authorized by the reporting entity to be illustrated on new and existing business during 2014.

My examination included such review of the actuarial assumptions and methods of the underlying basic records and such tests of the actuarial calculations as I considered necessary. In my opinion, the nonguaranteed elements described above have been determined in accordance with generally accepted actuarial principles and practices applicable to the determination of nonguaranteed elements.

Nancy A. Manning

Nancy A. Manning, A.S.A., M.A.A.A.
Associate Actuary
Affinity Marketing Group Division
December 31, 2014

EXHIBIT E

STATEMENT OF NONGUARANTEED ELEMENTS

TRANSAMERICA LIFE INSURANCE COMPANY

Exhibit 5 Interrogatory #3 as of 12/31/13

The following statements, answers to interrogatories, and actuarial opinion are in response to a "YES" answer to Question #3 on Page 13 of the 2013 NAIC blank. In some cases, the response addresses business assumed from an affiliated company via coinsurance.

This response covers the mortality charges, expense loading charges and interest credits to policyholder fund balances of single and periodic premium deferred annuities, universal life contracts, and deferred annuity riders; and renewal premiums on indeterminate premium contracts currently issued or in force. Determination procedures for the following are not covered by this response:

- dividends and coupons,
- charges or benefits that contractually follow a separate account result or defined index.

This response includes individually issued contracts as well as contracts issued under a "group" trust not having the discretion to select the insurer(s) on behalf of all individual insureds.

This response includes only those elements over which the company (or its affiliates via coinsurance) may by policy provisions exercise some current or future level of discretionary control. Many interest sensitive and indeterminate premium contracts contain minimum interest rate, maximum mortality charge, or maximum premium rate guarantees of either a temporary or permanent nature which the company must, as a matter of contract law, not violate.

For the purpose of this response, the nonguaranteed elements associated with different policy forms shall be considered distinct. In particular, nonguaranteed elements of a policy form first issued since the last statement was filed shall not be considered a "change" merely because its illustrated schedule of nonguaranteed elements is different from the illustrated or actual schedule of nonguaranteed elements on other policy forms.

For the purpose of this response, anticipated experience factors are those elements in the redetermination of non-guaranteed charges and benefits that reflect expected future experience. Examples of anticipated experience factors are: incidence and level of premium payments, mortality rates, investment income rates, termination rates, reinsurance results, tax rates, and expense rates.

Divisions:

ADMS	AEGON Direct Marketing Services Division
L&P	Life and ProtectionProtection Division
ES&P	Employer Services and Pensions Division
IS&R	Individual Savings and Retirement Division

DETERMINATION PROCEDURES

Interest rates credited to policyholder accounts and cap or participation rates for equity indexed products are determined by each division's Interest Rate Committee or Portfolio Management Team. These committees are empowered by the Board of Directors to modify investment strategy, investment mix, and the rates credited as it deems necessary for current market and product conditions. The nonguaranteed elements are determined prospectively. These committees typically meet monthly but could meet more or less frequently as may be dictated by changing conditions.

Current mortality charges on universal life contracts are adjusted periodically utilizing company experience (where credible), applicable reinsurance rates, and/or intercompany data published by professional organizations such as the Society of Actuaries. Basic mortality data is adjusted as necessary to meet legal, regulatory, or competitive constraints imposed upon the company. The charges must also be consistent with the company's desired profit margins for the particular product under consideration.

For indeterminate premium products, a full schedule of current and anticipated premium rates is developed at the point of issue. Premium rate adjustments are considered when anticipated future experience foretells deviations from the original profit standards. The source of deviation (mortality, persistency, expense, etc.) is an important consideration in the rerating decision as well as the potential effect of a rate change on the future experience of the existing block of business.

Current expense loading charges anticipated are developed at the point of issue. Adjustments are considered when anticipated future experience foretells deviations from the original profit standards. The source of deviation (mortality, persistency, expense, etc.) is an important consideration in the adjustment decision as well as the potential effect of a change on the future experience of the existing block of business.

Experience rated group annuity contracts are credited with interest, retrospectively, in accordance with the investment year method.

For Universal Life and interest sensitive whole life contracts, credited interest rates are typically reviewed monthly, as are the caps for indexed universal life. These are adjusted as necessary to meet regulatory or competitive constraints, as well as being consistent with the company's desired profit margins for the particular product under consideration.

For retirement plan group annuity contracts, declared interest rates for the small employer market are reset every six months. Declared interest rates have been changed to reflect the investment results of the prior year and assumptions as to cash flow and investment returns available on new investments during the year for which rates are being declared.

ADMS

Indeterminate Premium Life Insurance -- The company's policy is to review experience periodically and to adjust premiums based on expectations of future investment earnings, persistency, mortality and expenses. Contractually, premium adjustments may be made at the Company's sole discretion.

INTERROGATORIES

1. Since this statement was last filed, have there been any changes in the values of nonguaranteed elements on new or existing business authorized for illustration by reporting entity? If yes, describe the changes that were made.

RESPONSE:

ADMS

No. There are no policies which are authorized for illustration by ADMS.

L&P

Yes. Changes have been made to the nonguaranteed current interest rates credited, current mortality charges, and illustrated rates on certain interest sensitive products for both new and existing business.

ES&P

Yes. Illustrated values on universal life insurance Bank Owned Life Insurance (BOLI) and Corporate Owned Life Insurance (COLI) sold by the Company reflect the actual interest rate being credited. On some policies there have been changes in COIs authorized for illustration.

IS&R

Yes. Credited rates determined by a portfolio average approach have been adjusted to reflect changes in the yield of the portfolio of assets backing the liabilities.

2. Since this statement was last filed, have there been any changes in the values of nonguaranteed elements actually charged or credited? If yes, describe the changes that were made.

RESPONSE: Yes.

ADMS:

No changes.

L&P

Yes. Changes have been made to the nonguaranteed credited interest rates on certain interest sensitive products. Changes also have been made to the current mortality charges on certain products.

ES&P

The nonguaranteed credited rates have been changed to reflect changes in yields of the underlying investments and current and anticipated market and product conditions.

IS&R

Yes. Credited rates determined by a portfolio average approach have been adjusted to reflect changes in the yield of the portfolio of assets backing the liabilities.

3. **Indicate to what extent any changes described in 1 or 2 above vary from the policy and/or general methods and procedures last reported for the affected contracts.**

RESPONSE: No changes.

4. **Are the anticipated experience factors underlying any nonguaranteed elements different from current experience? If yes, describe in general terms the ways in which future experience is anticipated to differ from current experience and the nonguaranteed element factors which are affected by such anticipation.**

RESPONSE:

ADMS

Yes. Some indeterminate premium life policies have anticipated experience factors which vary from current experience.

All Other Divisions

Interest rates credited on a portfolio average approach reflect the recent historical experience of the underlying portfolio of assets. Interest rates credited on an investment generation approach are set with due consideration for asset turnover and anticipated reinvestment rates available over any contractual guarantee period.

Anticipated investment experience cannot be predicted under any reasonable degree of certainty; therefore anticipated investment experience is expected to vary (either higher or lower) from current experience.

5. **State whether anticipated investment income experience factors are based on (a) a portfolio average approach, (b) an investment generation approach, or (c) other. If (b) or (c), describe the general basis used, including the investment generation groupings.**

RESPONSE: Both portfolio average and investment generation methods are used.

ADMS

A portfolio average approach is used.

L&P

Both the investment generation method and the portfolio method are used. Many universal life and deferred annuity policies credit interest on a portfolio average basis. A larger portion of universal life policies credit interest on a modified investment generation approach. The investment generation method is an attempt to credit interest equitably among policyholders by crediting the same interest rate to all premiums received on the same day on all in-force policies and new issues of the same policy forms. Renewal rates are typically reviewed annually.

ES&P

The investment generation method is used for Bank Owned Life Insurance (BOLI) and Corporate Owned Life Insurance (COLI) business. The Company's BOLI and COLI business is generally comprised of large, single premium cases. As such in general, the credited rate for each case is initially determined based on the asset yield at the time premium is received less a spread to cover

the company's profit and expenses. Renewal rates are reset annually. Reinvestment rates are estimated and tracked for each case. The renewal credited rate is then set based on the estimated asset yield on investments for each case less the credited rate spread. Each case represents its own investment generation grouping. For business not comprised of large, single premiums, premiums received are grouped by calendar quarter and investment rates are tracked by these groups rather than by case.

The majority of group annuity policies credit interest on a portfolio average basis. Renewal rates are reset every six months. For a small portion of group annuities, the contract fund is allocated by calendar year of deposit. There are eleven cells for the past ten years and the eleventh is an aggregation for earlier years. During a particular year of review, the assets in the General Account are segregated by year of acquisition, and the performance of each of the eleven cells is measured. Each of the contract holder's eleven cells will be credited with interest at a rate derived from the performance of the corresponding cell of assets in the General Account during the year of review.

IS&R:

Nearly all deferred annuity policies credit interest on a modified investment generation approach. The credited rate for new money is based on the asset yield at the time premium is received less a spread to cover the company's profit and expenses. Renewal rates are reset annually.

For group annuities, the contract fund is allocated by calendar year of deposit. During a particular year of review, the assets in the General Account are segregated by year of acquisition, and the performance of each is measured. The contract holder is credited with interest rates derived from the performance of the corresponding assets in the General Account.

6. Describe how the reporting entity allocates anticipated experience among its various classes of business.

RESPONSE:

L&P:

The company conducts periodic mortality and persistency studies where experience is differentiated by type of product and/or distribution. For nonguaranteed mortality charges, current experience is used as a guide for anticipated future experience. Functional cost studies to determine operational expenses performed, would be used as a guide for nonguaranteed expense charges.

All Other Divisions:

All of the classes have separate expense factors.

During product development, the anticipated cash flow of a product is analyzed under various future scenarios with respect to mortality, persistency, expenses, and interest rates. These cash flow studies together with experience studies are used to establish the schedule of mortality charges and the investment spread necessary to support company profit and surplus objectives. In addition, an investment strategy is established for the product which assists investment personnel in meeting cash flow, yield, liquidity, quality, and asset duration standards appropriate for the product.

Interest rates credited are maintained at a level approximately equal to the earned rate on the supporting assets less the target spread determined in the initial product development or by